

NOTE 11 – PENSION PLANS (Continued)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Actuarial Information</u>			
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	18 years closed period	24 years closed period	25 years closed period
Asset valuation method	10 year Smoothed Mkt	Amortized cost	Amortized cost
<u>Assumptions</u>			
Investment return	7.5%	7.5%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	0%	0%	0%
<u>Schedule of Funding Information</u>			
Actuarial valuation date	December 31, 2009	December 31, 2008	December 31, 2007
Actuarial value of assets	\$84,211	\$45,939	\$18,396
Actuarial accrued liability (AAL)	\$86,067	\$48,882	\$25,893
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	\$1,856	\$2,943	\$7,497
Funded ratio	97.8%	94.0%	71.0%
Annual covered payroll (actural)	\$373,764	\$280,013	\$223,091
UAAL or OAAL as % of covered payroll	0.5%	1.1%	3.4%
	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>9/30/2007</u>
Net Pension Obligation (NPO)	\$0	\$0	\$0
Annual Pension Costs (APC)	\$12,916	\$15,747	\$8,965
Percent of APC Contributed	100%	100%	100%

NOTE 12 – SUPPLEMENTAL DEATH BENEFITS PLAN

The City also participates in the cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement system (TMRS); known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

	<u>SDBF</u>
9/30/2010	0.22%
9/30/2009	0.18%
9/30/2008	0.23%
9/30/2007	0.23%

NOTE 13 – CAPITAL GRANTS

In October 2004, the City entered into a contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$125,000. The grant is being used for the sewer system for the Old Town Project. The City will be required to match \$25,000 for the grant. As of September 30, 2010, all grant expenditures have been paid and reimbursed, and the grant is complete.

NOTE 13 – CAPITAL GRANTS (Continued)

In October 2005, the City entered into a second contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$125,000. This grant is also being used for sewer system improvements. The City will be required to match \$25,000 for the grant. As of September 30, 2010, all grant expenditures have been paid and reimbursed, and the grant is complete.

In September 2006, the City entered into a third contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$200,000. This grant is to be used to provide connections for low income households. The City will be required to match \$200,000 for the grant. As of September 30, 2010, all grant expenditures have been paid and reimbursed, and the grant is complete.

During the year ended September 30, 2007, the City entered into a fourth contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$125,805. This grant is to be used to provide connections for low income households. The City will be required to match \$125,805 for the grant. As of September 30, 2010, all grant expenditures have been paid and reimbursed, and the grant is complete.

During the year ended September 30, 2010, the City entered into a fifth contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$250,000. This grant is to be used to provide connections for low income households. As of September 30, 2010, \$228,211 has been spent and reimbursed.

During the year ended September 30, 2010, the city entered into a sixth contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$253,000. This grant is to be used to provide connections for low income households. As of September 30, 2010, \$23,000 has been spent or reimbursed.

During the year ended September 30, 2010, the city entered into a seventh contract and agreement with Williamson County for a Community Development Block Grant in the amount of \$250,000. This grant is to be used to provide connections for low to moderate income households. As of September 30, 2010, no expenditures have been made or reimbursed.

In August 2005, the City was awarded a cooperative agreement from the U.S. Environmental Protection Agency. The grant is for \$240,600 for wastewater system improvements. As of September 30, 2010, all grant expenditures have been paid and reimbursed, and the grant is complete.

In July 2006, the City was awarded a cooperative agreement from the U.S. Environmental Protection Agency. The grant of \$348,900 is for construction of wastewater treatment facilities. As of September 30, 2010, all grant expenditures have been paid and reimbursed, and the grant is complete.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Billing Service

In November 2006, the City entered into an agreement with the Liberty Hill Water Supply Corporation to provide billing services for the City's wastewater system. The City incurred \$2,247 in costs under this contract during the year ended September 30, 2010.

Operation and Maintenance

In December, 2006, the City entered into a contract with Severn Trent Environmental Service, Inc. for operation and maintenance services for the City's sewer system. Fees are billed monthly at a rate of \$500 per month. During the year ended September 30, 2010, \$3,943 was paid under the contract.

Wholesale Wastewater

In December, 2006, the City entered into a contract with the Lower Colorado River Authority and Brazos River Authority for wholesale wastewater service. The contract provides for a monthly minimum charge of \$2,600. The contract also specifies for a volume charge of \$3.00 per 1000 gallons of wastewater flows. The term of the contract is 30 years. During the year ended September 30, 2010, the total amount paid by the City for the wastewater service minimum charge was \$71,464.

According to the City Attorney there is no pending litigation that would have a material affect on the financial statements as of September 30, 2010.

NOTE 15 – PARKS FOUNDATION

On September 21, 2007, the City of Liberty Hill created the Liberty Hill Parks Foundation. During the year ended September 30, 2010, the Foundation had not activity.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent to year end, the City has begun a grant with Williamson County for \$200,000 for park improvements.

Also subsequent to year end, the City began negotiations for a merger with the Liberty Hill Water Supply Corporation.

REQUIRED SUPPLEMENTARY INFORMATION

City of Liberty Hill, Texas
Budgetary Comparison Schedule

For the Year Ended September 30, 2010

	General Fund			
	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 99,912	\$ 99,912	\$ 106,311	\$ 6,399
Sales taxes	280,000	280,000	274,676	(5,324)
Franchise taxes	110,000	110,000	112,581	2,581
Building permits	100,500	100,500	40,138	(60,362)
Municipal court	175,500	175,500	192,088	16,588
Police fees	16,400	16,400	19,177	2,777
Investment income	-	-	766	766
Donations	1,550	1,550	9,849	8,299
Street Maintenance tax	-	-	64,636	64,636
Grant income	100,000	100,000	16,087	(83,913)
Miscellaneous income	50	50	12,126	12,076
Total Revenues	883,912	883,912	848,435	(35,477)
Expenditures				
Legal and professional	108,200	108,200	121,753	(13,553)
Police expenses	422,350	422,350	385,586	36,764
City salaries and payroll taxes	111,500	111,500	85,070	26,430
Insurance	6,000	6,000	18,896	(12,896)
Office and administration	81,100	81,100	130,665	(49,565)
Street and park maintenance	162,850	162,850	84,233	78,617
Court expenses	149,400	149,400	76,722	72,678
Building inspection	53,200	53,200	15,400	37,800
Utilities	27,000	27,000	29,735	(2,735)
Capital expenditures	2,000	2,000	4,020	(2,020)
Total Expenditures	1,123,600	1,123,600	952,080	171,520
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>\$ (239,688)</u>	<u>\$ (239,688)</u>	(103,645)	<u>\$ 136,043</u>
Fund Balance, Beginning of Year			497,323	
Fund Balance, End of Year			<u>\$ 393,678</u>	

OTHER SUPPLEMENTARY INFORMATION

City of Liberty Hill, Texas

*Schedule of Expenditures of Federal Awards and
Notes to Schedule of Expenditures of Federal Awards*

For the Year Ended September 30, 2010

**City of Liberty Hill
Schedule of Expenditures of Federal Awards
for the Year Ended September 30, 2010**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency: Capitalization Grants for clean water, state revolving funds	66.458	-	\$ 905,469
Environmental Protection Agency: Congressionally mandated projects	66.202	-	188,640
Texas Department of Housing and Community Affairs: Community Development Block Grants, state programs	14.228	-	<u>326,858</u>
Total expenditures of federal awards			<u>\$ 1,420,967</u>

See accompanying notes to schedule of expenditures of federal awards.

**City of Liberty Hill
Notes to Schedule of Expenditures of Federal Awards
for the Year Ended September 30, 2010**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Liberty Hill and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – LOANS OUTSTANDING

The City of Liberty Hill had the following loan balance outstanding at September 30, 2010 with the Texas Water Development Board (Loan #L070010). The loan balance outstanding is also included in the federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Environmental Protection Agency: Capitalization Grants for Clean Water state revolving funds	66.458	\$ 7,255,000

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2004 Community Development Block Grants
CFDA Number 14.228

	-Federal-				-Local-			
	Budget	Prior	Years	Current	Prior	Current	Total	Variance
				Year	Years	Year		
REVENUE								
Federal:	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Local:	125,000		-	-	125,000	-	125,000	-
TOTAL REVENUE:	125,000		-	-	125,000	-	125,000	-
EXPENSES								
Federal:								
Construction	-		-	-	-	-	-	-
Engineering	-		-	-	-	-	-	-
Local:								
Construction	-		-	-	-	-	-	-
Engineering	118,750		-	-	118,750	-	118,750	-
Administration	6,250		-	-	6,250	-	6,250	-
TOTAL EXPENSES:	125,000		-	-	125,000	-	125,000	-
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2005 Community Development Block Grants
CFDA Number 14.228

	-Federal-				-Local-			
	Budget	Prior	Years	Current	Prior	Current	Total	Variance
	Year	Years	Year	Years	Year			
REVENUE								
Federal:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local:	125,000	-	-	-	125,000	-	125,000	-
TOTAL REVENUE:	125,000	-	-	-	125,000	-	125,000	-
EXPENSES								
Federal:								
Construction	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
Local:								
Construction	28,125	-	-	-	28,125	-	28,125	-
Engineering	84,375	-	-	-	84,375	-	84,375	-
Administration	12,500	-	-	-	12,500	-	12,500	-
TOTAL EXPENSES:	125,000	-	-	-	125,000	-	125,000	-
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2006 Community Development Block Grants
CFDA Number 14.228

	-Federal-				-Local-			
	Budget	Prior	Years	Current	Prior	Current	Total	Variance
	Year			Year	Years	Year		
REVENUE								
Federal:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local:	200,000	-	-	-	200,000	-	200,000	-
TOTAL REVENUE:	200,000	-	-	-	200,000	-	200,000	-
EXPENSES								
Federal:								
Construction	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
Local:								
Construction	180,000	-	-	-	180,000	-	180,000	-
Engineering	-	-	-	-	-	-	-	-
Administration	20,000	-	-	-	20,000	-	20,000	-
TOTAL EXPENSES:	200,000	-	-	-	200,000	-	200,000	-
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2007 Community Development Block Grants
CFDA Number 14.228

	-Federal-				-Local-				
	Budget	Prior	Years	Current	Prior	Current	Total	Variance	
				Year	Years	Year			
REVENUE									
Federal:	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	-
Local:	125,805		-	-	125,805	-	125,805		-
TOTAL REVENUE:	125,805		-	-	125,805	-	125,805		-
EXPENSES									
Federal:									
Construction	-		-	-	-	-	-		-
Engineering	-		-	-	-	-	-		-
Local:									
Construction	113,225		-	-	18,830	94,395	113,225		-
Engineering	-		-	-	-	-	-		-
Administration	12,580		-	-	12,580	-	12,580		-
TOTAL EXPENSES:	125,805		-	-	31,410	94,395	125,805		-
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ 94,395	\$ (94,395)	\$ -	\$ -	-

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2008 Community Development Block Grants
CFDA Number 14.228

	-Federal-				-Local-		Total	Variance
	Budget	Prior	Years	Current	Prior	Current		
				Year	Years	Year		
REVENUE								
Federal:	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Local:	250,000		-	-	250,000	-	250,000	-
TOTAL REVENUE:	250,000		-	-	250,000	-	250,000	-
EXPENSES								
Federal:								
Construction	-		-	-	-	-	-	-
Engineering	-		-	-	-	-	-	-
Local:								
Construction	225,000		-	-	-	203,211	203,211	21,789
Engineering	-		-	-	-	-	-	-
Administration	25,000		-	-	18,748	6,252	25,000	-
TOTAL EXPENSES:	250,000		-	-	18,748	209,463	228,211	21,789
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ 231,252	\$ (209,463)	\$ 21,789	\$ (21,789)

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2009 Community Development Block Grants
CFDA Number 14.228

	<u>-Federal-</u>			<u>-Local-</u>					
	Budget	Prior	Years	Current	Prior	Current	Total	Variance	
				Year	Years	Year			
REVENUE									
Federal:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Local:	253,000	-	-	-	-	253,000	-	253,000	
TOTAL REVENUE:	253,000	-	-	-	-	253,000	-	253,000	
EXPENSES									
Federal:									
Construction	-	-	-	-	-	-	-	-	
Engineering	-	-	-	-	-	-	-	-	
Local:									
Construction	230,000	-	-	-	-	-	-	230,000	
Engineering	-	-	-	-	-	-	-	-	
Administration	23,000	-	-	-	-	23,000	23,000	-	
TOTAL EXPENSES:	253,000	-	-	-	-	23,000	23,000	230,000	
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,000	\$ (23,000)	\$ 23,000	

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: No Federal Monies
Pass Thru Grantor: Texas Department of Housing and Community Affairs
2010 Community Development Block Grants
CFDA Number 14.228

	-Federal-			-Local-					
	Budget	Prior	Years	Current	Year	Prior	Current	Total	Variance
						Years	Year		
REVENUE									
Federal:	\$ -	\$ -		\$ -		\$ -	\$ -	\$ -	\$ -
Local:	250,000		-		-	-	250,000	-	250,000
TOTAL REVENUE:	250,000		-		-	-	250,000	-	250,000
EXPENSES									
Federal:									
Construction	-		-		-	-	-	-	-
Engineering	-		-		-	-	-	-	-
Local:									
Construction	250,000		-		-	-	-	-	-
Engineering	-		-		-	-	-	-	-
Administration	-		-		-	-	-	-	-
TOTAL EXPENSES:	250,000		-		-	-	-	-	-
Excess revenue over expenditures	\$ -	\$ -		\$ -		\$ -	\$ 250,000	\$ -	\$ 250,000

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

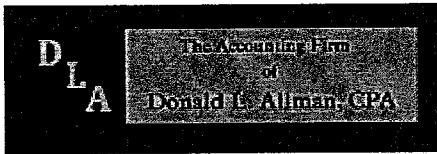
Federal Grantor: Environmental Protection Agency
Pass Thru Grantor:
CFDA Number: 66.202
Contract Number: SAAP XP-96628301

	-Federal / State-			-Local-				
	Budget	Prior	Years	Current	Prior	Current	Total	Variance
				Year	Years	Year		
REVENUE								
Federal:	\$ 348,900	\$ 237,252	\$	111,648	\$	-	\$ 348,900	\$ -
State:	-	-	-	-	-	-	-	-
Local:	-	-	-	-	-	-	-	-
TOTAL REVENUE:	348,900	237,252		111,648		-	348,900	-
EXPENSES								
Federal:								
Construction	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
State:								
Construction	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
Local:								
Construction	348,900	-	-	-	237,252	111,648	348,900	-
Engineering	-	-	-	-	-	-	-	-
TOTAL EXPENSES:	348,900	-	-	-	237,252	111,648	348,900	-
Excess revenue over expenditures	\$ -	\$ 237,252	\$ 111,648	\$ (237,252)	\$ (111,648)	\$ -	\$ -	-

City of Liberty Hill, Texas
Schedule of Grant Revenue and Expense
09/30/2010

Federal Grantor: Environmental Protection Agency
Pass Thru Grantor:
CFDA Number: 66.202
Contract Number: SAAP XP-96602601

	<u>-Federal / State-</u>			<u>-Local-</u>				
	<u>Budget</u>	<u>Prior</u>	<u>Years</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Variance</u>
				<u>Year</u>	<u>Years</u>	<u>Year</u>		
REVENUE								
Federal:	\$ 240,600	\$ 163,608	\$ 76,992	\$	-	\$	\$ 240,600	\$ -
State:	-	-	-	-	-	-	-	-
Local:	-	-	-	-	-	-	-	-
TOTAL REVENUE:	<u>240,600</u>	<u>163,608</u>	<u>76,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,600</u>	<u>-</u>
EXPENSES								
Federal:								
Construction	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
State:								
Construction	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-
Local:								
Construction	240,600	-	-	163,608	76,992	240,600	-	-
Engineering	-	-	-	-	-	-	-	-
TOTAL EXPENSES:	<u>240,600</u>	<u>-</u>	<u>-</u>	<u>163,608</u>	<u>76,992</u>	<u>240,600</u>	<u>-</u>	<u>-</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ 163,608</u>	<u>\$ 76,992</u>	<u>\$ (163,608)</u>	<u>\$ (76,992)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>



Donald Allman, C.P.A.
1104 South Mays St., Ste. 109
Round Rock, Texas 78664

CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor and City Council
City of Liberty Hill, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, of the city of Liberty Hill, as of and for the year ended September 30, 2010, which collectively comprise the city of Liberty Hill's basic financial statements and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control Over Financial Reporting

In planning and performing our audit, we considered the city of Liberty Hill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberty Hill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Liberty Hill's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Liberty Hill's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Liberty Hill's financial statements that is more than inconsequential will not be prevented or detected by the City of Liberty Hill's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement on the financial statements will not be prevented or detected by the City of Liberty Hill's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

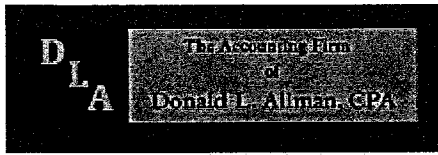
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Liberty Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Donald L Allman, CPA

Round Rock, Texas
March 22, 2011



Donald Allman, C.P.A.
1104 South Mays St., Ste. 109
Round Rock, Texas 78664

CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and City Council
City of Liberty Hill, Texas

Compliance

We have audited the compliance of the City of Liberty Hill with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Liberty Hill's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Liberty Hill's management. Our responsibility is to express an opinion on the city of Liberty Hill's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city of Liberty Hill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Liberty Hill's compliance with those requirements.

In our opinion, the City of Liberty Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the City of Liberty Hill is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Liberty Hill's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Liberty Hill's internal control over compliance.

A control deficiency in an entity's control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Liberty Hill's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Liberty Hill's internal control.

A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of liberty Hill's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

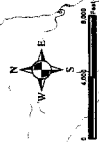
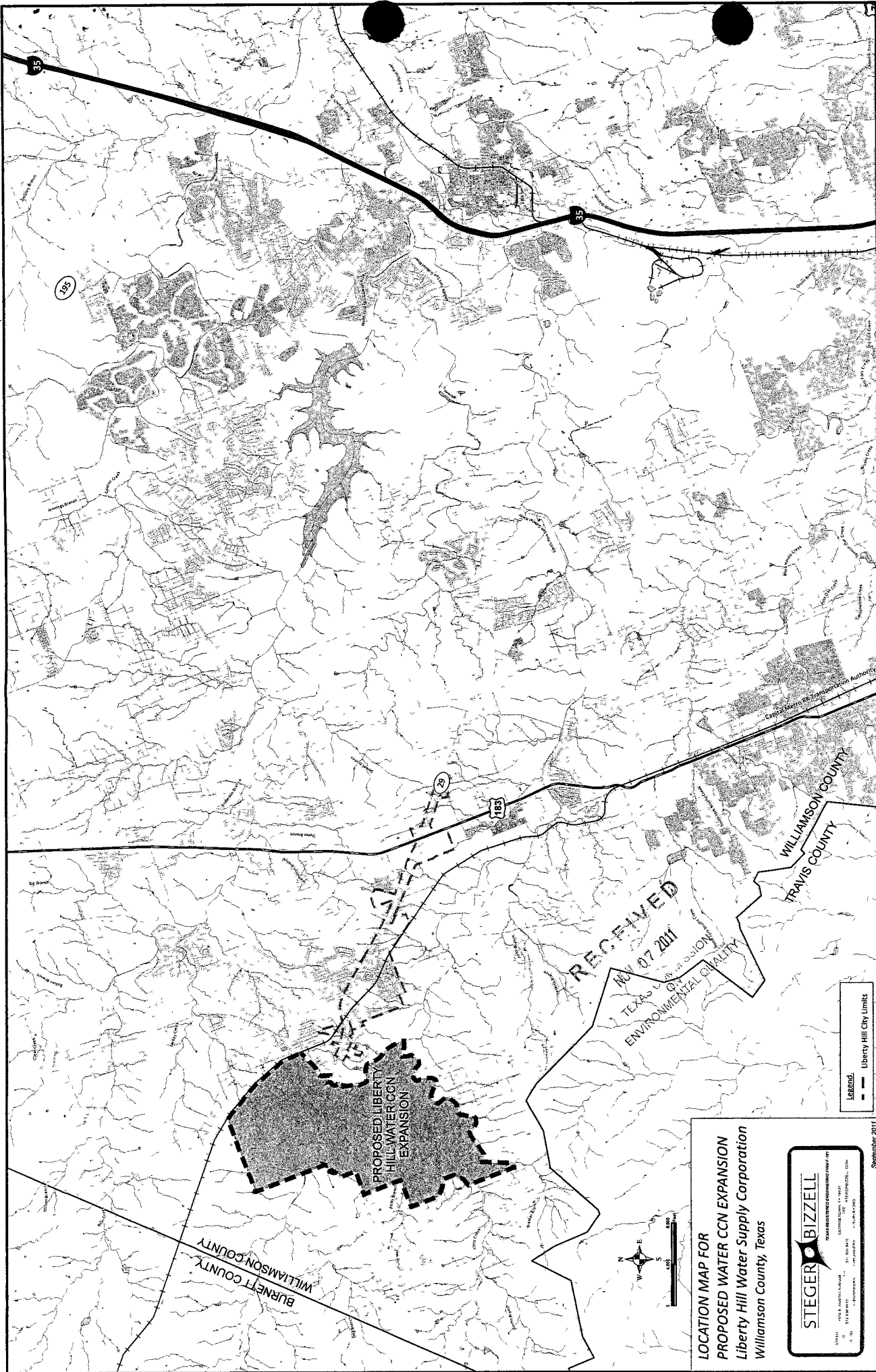
This report is intended solely for the information use of the management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Donald L Allman, CPA

Round Rock, Texas
March 22, 2011



24



LOCATION MAP FOR
PROPOSED WATER CCN EXPANSION
Liberty Hill Water Supply Corporation
Williamson County, Texas



Legend:
--- Liberty Hill City Limits

September 2011

LIBERTY HILL WATER SUPPLY CORPORATION WRS-CCN – WILLIAMSON COUNTY, TEXAS

The following parcel is being described herein with the express intent to describe an addition to the area of Water Retail Service Certificate of Convenience and Necessity (CCN) of Liberty Hill Water Supply Corporation (CCN #10324) within the statutory limits of Williamson County, Texas and on file with the Texas Commission on Environmental Quality;

BEING approximately 8.7 square miles of land situated in the above-mentioned Williamson County and BEGINNING at a point on the south Right-of-Way line of the City of Austin Capital Metro Rail Road (formerly Southern Pacific Rail Road), said point being approximately 0.91 miles north of the intersection of the centerline of County Road No. 200 and the said south Right-of-Way line of the City of Austin Capital Metro Rail Road, said point being the most northerly point of the currently existing Liberty Hill Water Supply Corporation CCN #10324;

THENCE, in a southwesterly direction, approximately 0.21 miles to a point approximately 0.01 miles north of the north Right-of-Way of County Road No. 277, and continuing along a course approximately 0.01 miles north of the north Right-of-Way of said County Road No. 277 in a southwesterly direction a total of 0.70 miles, in all, to a point approximately 0.01 miles west of the west Right-of-Way of said County Road No. 277 and 0.01 miles north of the north Right-of-Way line of State Highway No. 29;

THENCE, in a northwesterly direction following a course approximately 0.01 miles north of and parallel to the north Right-of-Way line of said State Highway No. 29, approximately 0.15 miles to a point in the centerline of an unnamed tributary of the South Fork San Gabriel River;

THENCE, following the meanders of the centerline of said unnamed tributary of the South Fork San Gabriel River in a southerly direction, at approximately 0.02 miles passing the center line of said State Highway No. 29 and continuing approximately 0.62 miles, in all, to a point at the intersection of the said unnamed tributary and the centerline of the South Fork San Gabriel River;

THENCE, in a southeasterly direction following the centerline of said South Fork San Gabriel River with its meanders, approximately 1.3 miles to the center line of Farm-To-Market Highway No. 1869;

THENCE, following the centerline of said Farm-to-Market Highway No. 1869 in a westerly direction, approximately 0.28 miles to the centerline of Little Creek;

THENCE, in a southwesterly direction following the centerline of said Little Creek with its meanders, approximately 3.53 miles to a point where Brewer Branch (a tributary of Little Creek) intersects with Little Creek;

THENCE, leaving Little Creek in south southwesterly direction, approximately 0.55 miles to a point on the south line of that certain 274.80 acre tract of land as described in a Warranty Deed to Mueller Family Limited Partnership #1, L.P. as recorded in Document #9536843 of the Official Public Records of Williamson County, Texas;

RECEIVED

NOV 07 2011

THENCE, following the said south line of the Mueller Family Limited Partnership #1, L.P. tract in a southwesterly direction, approximately 400 feet to the southwest corner of the said Mueller Family Limited Partnership #1, L.P. tract for the most southerly corner herein;

THENCE, in a northwesterly direction following the west line of the said Mueller Family Limited Partnership #1, L.P. tract, approximately 0.91 miles to a point on the south line of County Road No. 285;

THENCE, following the south Right-of-Way line of said County Road No. 285 in a north northeasterly direction, approximately 0.54 miles to a point on the south Right-of-Way line of said Farm-to-Market Highway No. 1869, and continuing across said Farm-to-Market Highway No. 1869, approximately 80 feet to a point on the north Right-of-Way line of said Farm-to-Market Highway No. 1869;

THENCE, following the north Right-of-Way line of said Farm-to-Market Highway No. 1869 in a northwesterly direction, approximately 0.32 miles to a point, said point being the most southerly corner of Durham Park Section Three, a subdivision of record in Cabinet C, Slide 95 of the Plat Records of Williamson County, Texas, said point also being the most southerly corner of Lot 1B of the Resubdivision of Lot 1, Block P, Durham Park Section Three, a subdivision of record in Cabinet P, Slide 334 of the Plat Records of Williamson County, Texas;

THENCE, in a north northwesterly direction following an east line of said Durham Park Section Three subdivision, approximately 0.53 miles to a point, said point being the southeast corner of Lot 7, Block P, of said Durham Park Section Three subdivision and also being the southwest corner of Lot 8, Block P, of said Durham Park Section Three subdivision; Thence, following a southerly line of said Durham Park Section Three subdivision in a northeasterly direction, approximately 0.52 miles to a point being the most easterly corner of Lot 10, Block P, of said Durham Park Section Three subdivision, said point also being the most southerly corner of Lot 11, Block P, of said Durham Park Section Three subdivision; Thence, in a north northwesterly direction following an east line of said Durham Park Section Three subdivision, approximately 0.72 miles to a point, said point being the northeast corner of Lot 15, Block P, of said Durham Park Section Three subdivision, said point also being the northeast corner of said Durham Park Section Three subdivision, and said point also being the southeast corner of Lot 6, Durham Park Section Five, a subdivision of record in Cabinet C, Slide 134 of the Plat Records of Williamson County, Texas;

THENCE, following the south line of said Durham Park Section Five subdivision, approximately 0.46 miles to a point, said point being the southeast corner of Lot 4 of said Durham Park Section Five subdivision and said point also being the southeast corner of said Durham Park Section Five subdivision; Thence, following the east line of said Durham Park Section Five subdivision in a north northwesterly direction, approximately 0.23 miles to a point in the centerline of an unnamed tributary of the said South Fork San Gabriel River;

THENCE, leaving the east line of said Durham Park Section Five subdivision in a northeasterly direction and following the centerline of the meanders of said unnamed tributary approximately 0.47 miles to a point where said tributary intersects the centerline of said South Fork San Gabriel River;

THENCE, following the centerline of said South Fork San Gabriel River in a northeasterly direction, approximately 420 feet to a point;

THENCE, in a north northwesterly direction, at approximately 0.95 miles, pass the centerline of said State Highway 29, and continuing a total distance of approximately 1.35 miles, in all, to a point, said point being the northwest corner of that 34.46 acre tract more particularly described in a Warranty Deed to Hal Duncan Trussell and Phillip V. Trussell, in Volume 973, Page 428 of the Deed Records of Williamson County, Texas;

THENCE, in a northeasterly direction, following the north line of the said Hal Duncan Trussell and Phillip V. Trussell tract, approximately 0.31 miles to a point, said point being the northeast corner of said Trussell tract, said point also being the northwest corner of that certain 134.71 acre tract of land more particularly described in a Warranty Deed with Vendor's Lien to Dinah Beth Brothers in Document No. 2008063553 of the Official Public Records of Williamson County, Texas, and continuing along the north line of said Brothers tract, approximately 0.60 miles to a point, said point being the northeast corner of the said Brothers tract, said point also being the northwest corner of that certain 546.33 acre tract of land more particularly described in an Administrator's Specialty Warranty Deed to Butler Family Partnership, LTD in Document No. 2010087926 of the Official Public Records of Williamson County, Texas, and continuing along the north line of said Butler Family Partnership, LTD tract, approximately 0.46 miles to a point, said point being the northeast corner of the said Butler Family Partnership, LTD tract, said point also being the northwest corner of that certain 22.00 acre tract of land more particularly described in a Warranty Deed to Jack R. Campbell in Volume 1062, Page 562 of the Deed Records of Williamson County, Texas, and continuing along the north line of said Campbell tract, approximately 292 feet to a point on the south Right-of-Way line of the said City of Austin Capital Metro Rail Road, said point also being the northeast corner of the said Campbell tract, for the most northerly corner herein;

THENCE, in a southeasterly direction following the south Right-of-Way line of said City of Austin Capital Metro Rail Road, approximately 1.86 miles to the PLACE OF BEGINNING and containing approximately 8.7 square miles of land.

This document was prepared under 22 TAC 663.21, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared.

STATE OF TEXAS

}

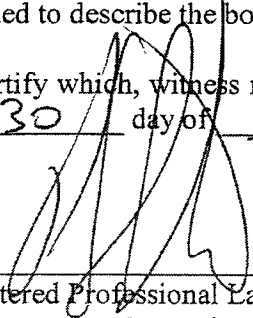
KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF WILLIAMSON

}

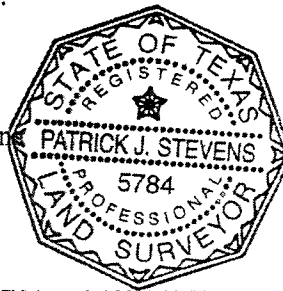
I, Patrick J. Stevens, Registered Professional Land Surveyor, do hereby certify that this survey was prepared under my personal supervision from various maps and other records and is intended to describe the boundaries of the area adequate for location by interested parties.

To certify which, witness my hand and seal at Georgetown, Williamson County, Texas, this the 30 day of September, 2011, A.D.



Registered Professional Land Surveyor, No. 5784
State of Texas

Patrick J. Stevens



\\VAULT\Company\PROJECTS 2006\21139-Liberty Hill CCN\20917-LIBERTY HILL -Williamson CCN Amended 2011-09-29 doc

To: Administrative Reviewer

Date Complete: August 29, 2011

From: Cartographer-Utilities & Districts Section


Subject: Overlap & Notice Check for Administrative Review No. A-084-11/37116-C
Liberty Hill WSC (10324) to amend water CCN in Williamson county.

1. No new overlap of service areas exists.
2. An overlap:
3. Dual certification:
4. An overlap exists with the city limits of:
5. If this is a Sale, Transfer, or Merger, is additional area being requested?
7. Map submitted is digital request digital data.
9. Utility notice was sufficient.
10. Utility notice was insufficient. In addition to those systems listed in the application, they will also need to notify:

TWO MILES:

- X 11. Notice: **DO NOT NOTICE**
- X 12. Other comments: **Maps do not meet requirements. Please submit original and copies of the following. (no location map, maps should not include any existing CCN area only the proposed, data includes existing CCN area and has overlaps with surrounding CCNs)**
- A. A general location map delineating the proposed area with enough detail to locate in the county
 - B. A map showing only the proposed area by:
 - (1) Metes and bounds survey certified by a licensed state or register professional land surveyor ; or
 - (2) Projectable digital data with metadata (proposed areas should be in a single record and clearly labeled for each utility) ; or
 - (3) Following verifiable natural and man-made landmarks; or
 - (4) Copy of recorded plat map with metes and bounds

*****City of Liberty Hill has an application to acquire Liberty Hill WSC, this application should be for City of Liberty Hill**


Kent Steelman

TIEMANN, SHAHADY & HAMALA, P.C.

TELEPHONE (512) 251-1920

102 N. RAILROAD AVE.
PFLUGERVILLE, TEXAS 78660

FACSIMILE (512) 251-8540

August 26, 2011

Ms. Tammy Holguin-Benter, MC 154
TCEQ
P.O. Box 13087
Austin, TX 78711-3087

Via Facsimile: 512- 239-6972
and First Class Mail

Re: Application to Amend a Water Certificate of Convenience and Necessity
Liberty Hill Water Supply Corporation
CCN No. 10324
Williamson County, Texas

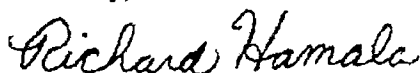
Dear Ms. Benter,

Yesterday, I filed on behalf of the Liberty Hill Water Supply Corporation an application to expand water CCN No. 10324. The Liberty Hill Water Supply Corporation and the City of Liberty Hill previously filed Application No. 36864-S which, when granted, will transfer Liberty Hill Water Supply Corporation's water CCN to the City of Liberty Hill. As I understand it, both the City of Liberty Hill and Liberty Hill Water Supply Corporation have reviewed the proposed final map and sent Shereisa Perryman their respective consent forms. The final order will soon be processed and sent to be placed on the ED's agenda for consideration and approval.

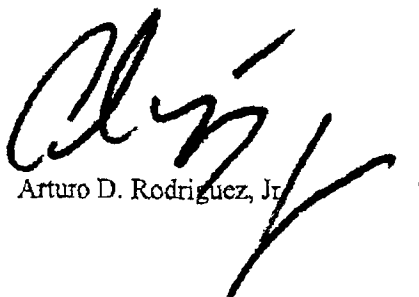
Thus, once the final order is signed, the City of Liberty Hill will have the CCN area currently certificated to the Liberty Hill WSC. Thus, upon the issuance of the final order pursuant to Application No. 36864-S, the City of Liberty Hill should be substituted as the named applicant in the above-referenced application. The City of Liberty Hill is aware of this letter and consents to the transfer of the application. To evidence the City's desire to be the named applicant, Arturo D. Rodriguez, Jr., City Attorney for the City of Liberty Hill, has jointly signed this letter.

If you have any questions, please contact me at the number above or contact at Russell & Rodriguez, LLP, 1633 Williams Drive, Suite 200, Georgetown, Texas 78628. His phone number is (512) 930-1317

Sincerely,



Richard Hamala


Arturo D. Rodriguez, Jr.

TIEMANN, SHAHADY & HAMALA, P.C.

TELEPHONE (512) 251-1920

102 N. RAILROAD AVE.
PFLUGERVILLE, TEXAS 78660

FACSIMILE (512) 251-8540

August 25, 2011

Texas Commission on Environmental Quality
Utilities and Districts Section
Building F, Mail Code 153
12100 Park 35 Circle
Austin, TX 78753

HAND DELIVERY

Re: Application to Amend a Water Certificate of Convenience and Necessity
Liberty Hill Water Supply Corporation
CCN No. 10324
Williamson County, Texas

Enclosed for filing please find an original and three copies of an Application to Amend a Water Certificate of Convenience and Necessity for Liberty Hill Water Supply Corporation. Also enclosed is a check in the amount of \$100.00 for TCEQ application fee.

Please call me at 512-252-1920 with regard to questions concerning the application.

Sincerely,



Richard Hamala



APPLICATION TO OBTAIN OR AMEND A WATER/SEWER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)

*CN# 600754899

*RN# 101453322

*If known (See Instructions)

PURPOSE OF THIS APPLICATION

OBTAIN New Water CCN New Sewer CCN

AMEND X Water CCN# 10324 Sewer CCN#

1. APPLICANT INFORMATION

Utility Name: Liberty Hill Water Supply Corporation

Utility Address (city/state/zip): PO BOX 95, Liberty Hill, Texas 78642

Utility Phone Number (512) 778-5977 Fax (512) 778-5153

Contact Person: Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.

Name: Wendell McLeod Title Secretary-Treasurer

Address: PO BOX 95 Telephone (512) 778-5977

City Liberty Hill St. Texas Zip 78642

E-mail: wmcleodlhwc@yahoo.com Fax (512) 778-5153

County (ies) in which service is proposed: Williamson

A. Check the appropriate box and provide information regarding the legal status of the applicant:

 Investor owned utility

 Individual

 Home or Property Owners Association

 Partnership

 For-profit corporation

X Non-profit, member-owned, member-controlled cooperative corporation
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)

 Municipality

 District

 Other Please Explain:

B. If the applicant is a For-Profit business or corporation, please include the following information:

i. Provide a copy of the corporation's A Certification of Account Status@ from the Texas State Comptroller of Public Accounts.

ii. Provide the corporation's charter number as recorded with the Office of the Texas Secretary Of State

iii. Provide a listing of all stockholders and their respective percentages of ownership.

iv. Provide a copy of the company's organizational chart, if available.

v. Provide a list of all directors and disclose the title of each individual.

vi. Provide a list of all affiliated organizations (if any) and explain the relationship with the applicant.

- C. If the applicant is a Water Code Chapter 67 water supply or sewer service corporation:
- Provide a copy of the Articles of Incorporation and By-Laws. **Copies are attached.**
 - Provide the corporation's charter number as recorded with the Office of the Texas Secretary of State. **SOS File Number: 0020622901**
 - Identify all members including name, address, title, and telephone number. **A list of members is attached.**
 - Provide a copy of the corporation's Certificate of Account Status from the Texas Comptroller of Public Accounts. **A copy is attached.**

2. **LOCATION INFORMATION**

- A. Are there people already living in the proposed area?
YES X NO
If YES, are any currently receiving utility service?
YES NO X if YES, from Whom? _____
- Demonstrate the Need for Service by providing the following:
- B. Have you received any requests for service in the requested service area?
YES NO X if YES, provide the following:
- Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
 - Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
 - Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
 - Provide copies of any written applications or requests for service in the requested area; and/or
 - Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area. If no, please justify the need for service in the proposed area.
 - If none of these items exist or are available, please justify the need for service in the proposed area in writing.
- Note:** Failure to demonstrate a need for additional service in the proposed service area may result in the delay and /or possible denial of the application.
- C. Is any portion of the proposed service area inside an incorporated city or district?
YES NO X
If YES, within the corporate limits of: _____
- Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain: _____

D. Is any portion of the proposed service area inside another utility's CCN area?

YES _____ NO X

If YES, has the current CCN holder agreed to decertify the proposed area?

YES _____ NO _____

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest. _____

3. MAP REQUIREMENTS:

Attach the following hard copy maps with each copy of the application:

A. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county. **A map is attached.**

B. A map showing only the proposed area by:

- i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
- ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
- iii. following verifiable natural and man-made landmarks; or
- iv. a copy of recorded plat map with metes and bounds.

Projectable digital data has been submitted on a data disk.

C. A written description of the proposed service area. **See Attachment.**

D. Provide separate and additional maps of the proposed area(s) to show the following:

- i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and **None.**
- ii. any facilities, customers or area currently being served outside the applicant's certificated area(s). **None.**

Note: Failure to provide adequate mapping information may result in the delay or possible denial of your application. Digital data submitted in a format other than ESRI ArcGIS may result in the delay or inability to review applicant's mapping information.

4. NEW SYSTEM INFORMATION OR UTILITIES REQUESTING A CCN FOR THE FIRST TIME

A. Please provide the following information:

- i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
- ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in #4.A.i above or documentation that it is not economically feasible to obtain service from each entity;
- iii. copies of written responses from each system or evidence that they did not reply; and
- iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.

- B. Were your requests for service denied?
- If yes, please provide documentation of the denial of service and go to 4.C.
 - If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.
- C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any: _____
- D. Date of plat approval, if required: _____
Approved by: _____
- E. Date Plans & Specifications submitted for approval _____
Log # _____ Attach copy of approval letter if available.
- F. Date construction is scheduled to commence: _____
- G. Date service is scheduled to commence: _____

5. EXISTING SYSTEM INFORMATION

- A. Please provide the following information for **each** water and/or sewer system, attach additional sheets if necessary.

- i. Water system's TCEQ Public Water System identification number(s):

2	4	6	0	0	1	3	;								;								
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	---	--	--	--	--	--	--	--	--

							;								;							
--	--	--	--	--	--	--	---	--	--	--	--	--	--	--	---	--	--	--	--	--	--	--

- ii. Sewer system's TCEQ Discharge Permit number(s)

W	Q							-					;	W	Q							-				
---	---	--	--	--	--	--	--	---	--	--	--	--	---	---	---	--	--	--	--	--	--	---	--	--	--	--

- iii Date of last inspection: January 31, 2011
- iv Attach a copy of the most recent inspection report letter. **A copy is attached.**
- v For each system deficiency listed in the inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates. **See Attachment.**

- B. Provide the following information about the utility's certified operators

Name	Classes	License Number
Wendell McLeod	C	WG0002346
Wendell McLeod		CI0001317

- Attach additional sheet(s) if necessary -

- C. Using the current number of customers, is any facility component in systems named in #5A above operating at 85% or greater of minimum standard capacity? YES X NO

Attach an explanation listing the actions to be taken to make system improvements including proposed completion dates (See 291.93(3)(A) of TCEQ Rules). **See Attachment.**

- D. List in the table below, the number of existing and/or proposed metered and non-metered connections (by size). The proposed number should reflect the information presented in the business plan or financial documentation and reflect the number of service requests identified in Question 2.b in the application.

Water System			Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter	550	unknown	Residential		
1" meter or larger	12		Commercial		
Non-Metered	0		Industrial		
Other:	0		Other:		
Total Water	562	unknown	Total Sewer		

- E. If this application is for a water CCN only, please explain how sewer service is or will be provided:
Sewer service is either provided by the City of Liberty Hill or by individual on-site sewer facilities.

- F. If this application is for a sewer CCN only, please explain how water service is or will be provided:

- G Effect of Granting a Certificate Amendment. **See Attachment.**

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i the applicant,
- ii any retail public utility of the same kind already serving the proximate area; and
- iii any landowner(s) in the requested area.

- H Do you currently purchase or plan to purchase water or sewer treatment capacity from another source?

- i NO ___ (skip the rest of this question and go to #6)
- ii Water X YES
- Purchased on a ___ regular ___ seasonal X Emergency basis?

Source	% of Total Treatment
Chisholm Trail Special Utility District	5

- iii Sewer treatment capacity,
- iv YES ___
- Purchased on a ___ regular ___ seasonal ___ Emergency basis?

Source	% of Total Treatment

- vi Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract. **A copy is attached.**

I. Ability to Provide Adequate Service. **See Attachment.**

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- i. the current and projected density, and
- ii. the land use of the requested area.

J Effect on the Land. **See Attachment.**

Explain the effect on the land to be included in the certificated area.

6. **FINANCIAL INFORMATION**

A. For new systems and for applicants with existing CCNs who are constructing a new stand alone system:

- i. the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
- ii. Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates should correlate to the projected growth in connections, shown on the projected profit and loss statement.
- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B. For existing systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed). **See attached Financial Statement - October 31, 2010.**

- ii. Attach a proposed rate schedule or tariff. **The LHWSC Tariff is attached.**

★NOTE: An existing system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application.

C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.

See Note 3 of attached Financial Statement dated October 31, 2010.

D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

Note: Failure to provide adequate financial information may result in the delay or possible denial of your application.

7. NOTICE REQUIREMENTS

A. All proposed notice forms must be completed and submitted with the application. However, do not mail or publish them until you receive written approval from the Commission to do so.

B. The Commission cannot grant a CCN until proper notice of the application has been given. **Commission rules do not allow a waiver of these notice requirements for CCN applicants.**

C. **It is the applicant=s responsibility to ensure that proper notice is given to all entities that are required to receive notice.**

D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application to use in preparing your proposed notices. (These notice forms are also available in Spanish upon request.)

E. After reviewing and, if necessary, modifying the proposed notice, the Commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully and note any additional neighboring utilities which may be included in the acceptance letter.

F. Notice For Publication:

The applicant shall publish the notice in a newspaper having general circulation in the county or counties where a CCN is being requested, once each week for two consecutive weeks beginning with the week after the notice is received from the Commission. Proof of publication in the form of a publisher=s affidavit shall be submitted to the Commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.

G. Notice To Neighboring Utilities:

- i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
- ii. For applications for the issuance of a **NEW** CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **five (5) miles** of the requested service area.
- iii. For applications for the **AMENDMENT** of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within **two (2) miles** of the requested service area.

See Attached List of Retail Public Utilities and Cities within Two Miles

H. Notice to Customers

Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application. The notice must also list all zip codes affected by the application.

- I. The Commission may require the applicant to deliver notice to other affected persons or agencies.

Do not publish or send copies of the proposed notices to anyone at the time you submit the application to the Commission. Wait until you receive written authorization to do so. This will occur after the Commission has reviewed the notices for completeness, and your application has been accepted for filing. Once the application is accepted for filing, you will receive written authorization to provide notice. Please check the notices for accuracy before providing them to the public. It is the applicant's burden to ensure that correct and accurate notice is provided.

OATH

STATE OF TEXAS
COUNTY OF WILLIAMSON

I, Wendell McLeod, being duly sworn, file this application as Secretary-Treasurer (indicate relationship to Applicant, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps and financial information filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Texas Commission on Environmental Quality.

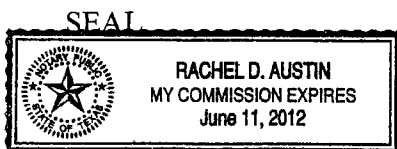
I further represent that the application form has not been changed, altered or amended from its original form available only from the Commission.

I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

Wendell McLeod
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this
day 24 of August, 20 11.



Rachel D. Austin
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Rachel D. Austin
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 6-11-2012

Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN WILLIAMSON COUNTY, TEXAS

The Liberty Hill Water Supply Corporation has filed an application for a CCN to obtain or amend CCN No. 10324 with the Texas Commission on Environmental Quality to provide water utility service in Williamson County.

The proposed utility service area is located approximately 1.5 miles northwest of downtown Liberty Hill, Texas, in Williamson County, and is generally bounded on the north by County Road 206; on the east by the Capital Metropolitan Transportation Authority railroad right-of-way; on the south by Brewer Branch and Little Creek; and on the west by the eastern boundary of the Durham Park Subdivision.

See enclosed map of the proposed service area.

The total area being requested includes approximately 5.542 acres and no current customers.

The proposed amendment affects customers and/or areas located in the following zip code(s): 78642.

A copy of the proposed service area map is available at (Utility Address and Phone Number):
102 Grove Street, Liberty Hill, Texas 78642; Phone Number: 512-778-5977

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or Aopt out@) by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

Si desea informacion en Espanol, puede llamar al 1-512-239-0200.

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN WILLIAMSON COUNTY, TEXAS

To: _____ Date Notice Mailed _____, 20____
(Neighboring System, Landowner or City)

(Address)

City

State

Zip

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The proposed utility service area is located approximately 1.5 miles northwest of downtown Liberty Hill, Texas, in Williamson County, and is generally bounded on the north by County Road 206; on the east by the Capital Metropolitan Transportation Authority railroad right-of-way; on the south by Brewer Branch and Little Creek; and on the west by the eastern boundary of the Durham Park Subdivision.

See enclosed map of the proposed service area.

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A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

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Austin, TX 78711-3087

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Si desea informacion en Espanol, puede llamar al 1-512-239-0200.

ARTICLES OF INCORPORATION
OF
LIBERTY HILL WATER SUPPLY CORPORATION

Filed in the Office of the Secretary of State of Texas	
This 4 day of Sept	1964
Director, Chancery Division	

THE STATE OF TEXAS:

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF WILLIAMSON:

WE, the undersigned natural persons of the age of twenty-one (21) years or more, at least three of whom are citizens of the State of Texas, acting as incorporators of a Corporation, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I.

The name of the Corporation is Liberty Hill Water Supply Corporation.

ARTICLE II.

The Corporation is a non-profit Corporation organized under Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provisions of these Acts.

ARTICLE III.

The period of its duration is perpetual.

ARTICLE IV.

The Corporation is formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of Liberty Hill, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the Liberty Hill Community in Williamson County, Texas, and the surrounding rural areas.

ARTICLE V.

The street address of the initial registered office of the Corporation is Highway Loop 332, Liberty Hill, Texas, and the name of its initial registered agent at such address is E. L. Peel.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is five (5), and the names and addresses of the persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>E. L. Peel</u>	<u>Highway Loop 332</u>	<u>Liberty Hill, Texas</u>
<u>Nathan Wetzel</u>	<u></u>	<u>Liberty Hill, Texas</u>
<u>Mae Fulkes</u>	<u></u>	<u>Liberty Hill, Texas</u>
<u>E. L. Dean</u>	<u>Highway Loop 332</u>	<u>Liberty Hill, Texas</u>
<u>Roy Allman</u>	<u>Highway Loop 332</u>	<u>Liberty Hill, Texas</u>

ARTICLE VII.

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>E. L. Peel</u>	<u>Highway Loop 332</u>	<u>Liberty Hill, Texas</u>
<u>Mae Fulkes</u>	<u></u>	<u>Liberty Hill, Texas</u>
<u>E. L. Dean</u>	<u>Highway Loop 332</u>	<u>Liberty Hill, Texas</u>

ARTICLE VIII.

Each incorporator shall be a member of the Board of Directors who are to serve as directors until the first annual meeting of the members, or until their successors are elected and qualified. Upon the issuance of the Charter and annually thereafter on the first Tuesday in January the Board of Directors shall elect a President, a Vice-President, and a Secretary-Treasurer. The position of the Secretary-Treasurer shall be placed under the fidelity bond in an amount which shall be set

by the Board of Directors. The amount of said bond shall be set from time to time by the Board of Directors, but shall not be less than \$1,500.00.

ARTICLE IX.

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of such Corporation and all profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with such Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid, and provided also that the directors of such Corporation may allocate to a reserve fund such amounts of the annual income as they deem necessary for maintenance, upkeep, operation and replacements, emergency repairs, and for deficiencies in income necessary to meet debt service costs.

ARTICLE X.

The Corporation may make and collect charges for water delivered in such amounts and in such manner as may be provided for in the By-Laws and make additional charges, prospective and retroactive, on the basis of the number of connections or otherwise as may be provided for, in the By-Laws. It may adjust rates from time to time to cover deficiencies in income in the event the amount collected from water and other charges is insufficient in any year to operate and maintain the water system and pay annual obligations and to enforce the collection thereof by the termination of water service or otherwise as provided in the By-Laws and by a personal action at law. In addition, at the end of any fiscal year the Corporation may make and levy an assessment against each member of the Corporation in the manner and for the pur-

poses as may be provided for in the By-Laws and may enforce the collection of same by termination of water service or otherwise as provided for in the By-Laws and by a personal action at law.

ARTICLE XI.

The Board of Directors shall select as depository for the funds of said Corporation, a bank within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of said Corporation.

ARTICLE XII.

The directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve fund account separate and apart from other fund accounts of the Corporation. There shall be deposited in such fund the sum of \$40.00 per month from the revenues of the Corporation. Such deposits will continue until the total amount deposited equals \$2500.00; provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to \$2500.00.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, and for making up any deficiencies in revenue for loan payments. One of the objects of this reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sale of water and collections that would have been made had the members been able to purchase the quantity of water used normally.

The directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited, in bonds or other evidence of indebtedness of the

United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with the Federal Deposit Insurance Corporation. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

ARTICLE XIII.

The Corporation is and shall continue to be a Corporation without capital stock. Membership in the Corporation shall be sold for \$50.00 per member.

ARTICLE XIV.

Membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the Corporation in such manner as the By-Laws may prescribe.

IN WITNESS WHEREOF, WE have hereunto set our hands, this the 3rd day of September, 1964.

E. R. Dean
Mae Fulkner
E. R. Dean

THE STATE OF TEXAS:

COUNTY OF WILLIAMSON:

Mrs. Gladys Smith a Notary Public, do hereby certify that on this 3rd day of September, 1964, personally appeared before me; E. R. Dean, Mae Fulkner and E. R. Dean, who each being by me first duly sworn, severally declared that they are the persons who, signed the foregoing document as incorporators, and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Mrs. Gladys Smith
Notary Public in and for William-
son County, Texas.

LIBERTY HILL WATER SUPPLY CORP.
P O BOX 95
LIBERTY HILL, TX 78642

BY-LAWS

By-Laws of Liberty Hill Water Supply Corporation, having been presented to the Board of directors of said Corporation and duly adopted as follows:

ARTICLE I

The President shall preside at all Members' and Directors' meetings. The President may, and upon demand of one-third (1/3) of the Members, shall call a special meeting of the Members or Directors. Such special meetings shall be held upon giving the notice required in Article XII of the By-Laws. The President shall perform all other duties that usually pertain to the office or are delegated to him by the Board of Directors.

ARTICLE II

the Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

ARTICLE III

the Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of Members and Directors. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer and the President or vice-President, in the absence of the president. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or by resolution passed by the Board of Directors or Members. The board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to the office of Secretary.

The position of the Secretary-Treasurer and other positions entrusted with receipt and disbursement of funds shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of directors. the Fidelity bond coverage amount shall approximate the total annual debt service requirements for all FmHA loans and be evidenced by a position fidelity schedule bond as acceptable to the Farmers Home Administration.

ARTICLE IV

Section 1. The Board of directors shall consist of 5 Directors, a majority of whom shall constitute a quorum. Upon issuance of the charter and annually thereafter on 2nd Monday in April, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' regular meeting provided for in Article XI of the By-Laws. The Directors shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the shareholders after their election, the terms of the Directors of the second class shall expire at the second annual meeting after their election and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of Directors.

Upon the death or resignation of a Director, a successor shall be elected by a majority of the existing Directors to serve until the next regular or special Membership meeting at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.